

COBRA FAQ's

Q. What is COBRA?

A. Congress passed the landmark Consolidated Omnibus Budget Reconciliation Act (COBRA) health benefit provisions in 1986. The law amends the Employee Retirement Income Security Act, the Internal Revenue Code and the Public Health Service Act to provide continuation of group health coverage that otherwise might be terminated.

Q. What does COBRA do?

A. COBRA provides certain former employees, retirees, spouses, former spouses, and dependent children the right to temporary continuation of health coverage at group rates. This coverage, however, is only available when coverage is lost due to certain ***qualifying events***. Group health coverage for COBRA participants is usually more expensive than health coverage for active employees, since usually the employer pays a part of the premium for active employees while COBRA participants generally pay the entire premium themselves. It is ordinarily less expensive, though, than individual health coverage.

Q. What are Qualifying Events that entitle a person to COBRA?

A. Qualifying events are certain events that would cause an individual to lose health coverage. The type of qualifying event will determine who the qualified beneficiaries are and the amount of time that a plan must offer the health coverage to them under COBRA.

Qualifying Events for Employees:

- Voluntary or involuntary termination of employment for reasons other than gross misconduct
- Reduction in the number of hours of employment

Qualifying Events for Spouses:

- Voluntary or involuntary termination of the covered employee's employment for any reason other than gross misconduct
- Reduction in the hours worked by the covered employee
- Covered employee's becoming entitled to Medicare
- Divorce or legal separation of the covered employee
- Death of the covered employee

Qualifying Events for Dependent Children:

- Loss of dependent child status under the plan rules
- Voluntary or involuntary termination of the covered employee's employment for any reason other than gross misconduct
- Reduction in the hours worked by the covered employee
- Covered employee's becoming entitled to Medicare
- Divorce or legal separation of the covered employee
- Death of the covered employee

Q. What process must individuals follow to elect COBRA continuation coverage?

A. The Agency HR Office will notify PEHP of a qualifying event within 30 days after an employee's death, termination, or reduced hours of employment. A qualified beneficiary (employee, spouse, and/or child) must notify the Agency HR Office of a qualifying event within 60 days after divorce or legal separation or a child's ceasing to be covered as a dependent under plan rules. The Agency HR Office will then notify PEHP of the change.

Once notified, PEHP will send an election notice to eligible participants (in person or by first class mail) no later than 14 days after PEHP receives notice of the qualifying event. Each eligible participant may independently elect COBRA coverage. A covered employee or the covered employee's spouse may elect COBRA coverage on behalf of all other qualified beneficiaries. A parent or legal guardian may elect on behalf of a minor child. The eligible participant has 60 days from the date the COBRA election notice is provided by PEHP to decide whether to elect COBRA continuation coverage. The eligible participant has 45 days after electing coverage to pay the initial premium.

Q. How long after a qualifying event do I have to elect COBRA coverage?

A. . The eligible participant has 60 days from the date the COBRA election notice is provided by PEHP to decide whether to elect COBRA continuation coverage. The eligible participant has 45 days after electing coverage to pay the initial premium.

Q. When does COBRA coverage begin?

A. Cobra coverage begins on the date that coverage would otherwise have been lost by reason of a qualifying event and will end at the end of the maximum period. It may end earlier if:

- Premiums are not paid on a timely basis
- The employer ceases to maintain any group health plan
- After the COBRA election, coverage is obtained with another employer group health plan that does not contain any exclusion or limitation with respect to any pre-existing condition of such beneficiary. However, if other group health coverage is obtained prior to the COBRA election, COBRA coverage may not be discontinued, even if the other coverage continues after the COBRA election.

Q. How long does COBRA coverage last?

A. Eligible COBRA participants receive coverage for a maximum of 18 months for qualifying events due to employment termination or reduction of hours of work. Certain qualifying events, or a second qualifying event during the initial period of coverage, may permit a beneficiary to receive a maximum of 36 months of coverage.

Q. What do I do when COBRA coverage ends and I still need Health Insurance?

A. Towards the end of the COBRA continuation coverage period (usually 18 months), PEHP will provide an option for eligible participants to convert to an individual policy. The option must be given to enroll in a conversion health plan within 180 days before COBRA coverage

ends. The premium for a conversion policy may be more expensive than the premium of a group plan, and the conversion policy may provide a lower level of coverage. The conversion option, however, is not available if the beneficiary ends COBRA coverage before reaching the end of the maximum period of COBRA coverage.

Q. Can individuals qualify for longer periods of COBRA continuation coverage?

A. Yes, disability can extend the 18 month period of continuation coverage for a qualifying event that is a termination of employment or reduction of hours. To qualify for additional months of COBRA continuation coverage, the qualified beneficiary must:

- Have a ruling from the Social Security Administration that he or she became disabled within the first 60 days of COBRA continuation coverage
- Send the plan a copy of the Social Security ruling letter within 60 days of receipt, but prior to expiration of the 18-month period of coverage

If these requirements are met, the entire family qualifies for an additional 11 months of COBRA continuation coverage. Plans can charge 150% of the premium cost for the extended period of coverage.

Q. Who pays for COBRA coverage and how much does it cost?

A. Eligible COBRA participants pay for COBRA coverage. The COBRA premium is 102% of the cost to the plan. Eligible participants pay 100% of the total premium (employee & employer) plus 2 % for administrative costs. For eligible participants receiving the 11 month disability extension of coverage, the premium for those additional months may be increased to 150% of the plan's total cost of coverage.

COBRA premiums may be increased if the costs to the plan increase. These types of increases typically happen every year during open enrollment with an effective date of July 1st.

The initial premium payment must be made within 45 days after the date of the COBRA election by the qualified beneficiary. Payment must cover the period of coverage from the date of COBRA election retroactive to the date of the loss of coverage due to the qualifying event.

If premiums are not paid by the first day of the period of coverage, the plan has the option to cancel coverage until payment is received and then reinstate coverage retroactively to the beginning of the period of coverage. If the amount of the payment made to the plan is made in error but is not significantly less than the amount due, the plan is required to notify you of the deficiency and grant a reasonable period (for this purpose, 30 days is considered reasonable) to pay the difference. The plan is not obligated to send monthly premium notices.

COBRA Enrollment forms can be found on the PEHP Website at <http://www.pehp.org>, click on For Members, select the State of Utah, click on Enrollment Forms and FAQ, then click on the COBRA Enrollment Form.